

ITEM 7

BILL 17 (2017)

**Speaker Registration/Testimony**

Name	lynne matusow
Phone	808-531-4260
Email	lynnehi@aol.com
Meeting Date	08-24-2017
Council/PH Committee	Zoning
Agenda Item	Bill 17
Your position on the matter	Oppose
Representing	Self
Organization	
Do you wish to speak at the hearing?	Yes
Written Testimony	I am opposed to this bill. Please see the attached testimony for details.
Testimony Attachment	20170823101900_bill_17_testimony_opposed_aug._24.pages.pdf
Accept Terms and Agreement	1

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**Lynne Matusow  
60 N. Beretania, #1807  
Honolulu, HI 96817  
531-4260  
lynnehi@aol.com**

**TESTIMONY OPPOSED TO BILL 17, ZONING AND HOUSING COMMITTEE  
AUGUST 24, 2017**

On Tuesday, I replayed the recording of the May 25 committee meeting. From the questions and comments, it became clear that members do not understand the difference between single family homes and condominiums. That is crucial as the bill moves forward.

Testimony in May asked that condominiums be excluded from this bill as they are subject to HRS 514B. Councilmember Fukunaga's proposed CD1 which excludes "a condominium whose association has prepared a reserve study pursuant to HRS Section 514B-148, adopted a budget to address upkeep, repair, and maintenance issues identified in the reserve study, and has implemented in a timely manner the upkeep, repair, and maintenance measures set forth in the reserve study performed by the association" addresses that issue.

My board is preparing the 2018 reserve study which goes out as far as 2043, as we prepare our 2018 operating budget. Both have to be approved and sent to owners at least 30 days before the start of the next fiscal year, as required by HRS and our governing documents. The reserve study is separate from the operating budget.

Examples of items in the reserve study include:

Fire control system upgrades, estimated cost \$1 million, expected life 35 years  
Building envelope caulking, repairs, painting, coating, and garage spalling, \$1,250,000, expected life 10 years except for garage which is 20 years  
Breakers and wiring refurbishment, \$150,000, expected life 35 years  
Hallway carpeting, \$360,000, expected life 35 years  
Trash compactor, \$30,000, expected life 8 years  
Elevator mechanical room air conditioner, \$40,000, expected life 10 years  
Water supply pumps, \$106,000, expected life 20 years  
Refurbishing and replacing ground floor waste line, \$382,000, expected life 35 years  
Fire booster pump, \$95,000, expected life 25 years  
Sealing the top deck of the parking garage, \$110,000, expected life 10 years  
Storm drain refurbishment, \$90,000 for every two stacks, expected life 30 years  
Walkway and driveway repairs, \$33,000, expected life 35 years  
Lobby floor replacement, \$242,000, expected life 20 years  
Entry doors, three, \$22,000, expected life 30 years  
Window curtain wall and frame replacement, \$19 million, expected life span 40 years  
Emergency generator, \$346,000, expected life 45 years  
Emergency generator transfer switch, \$95,000, expected life 45 years  
Elevator modernization, \$2,400,000, expected life 25 years  
Security entry system, \$55,000, expected life 10 years

The above as well as other items are plugged into the spreadsheet every year they are due. We also incorporate items that are not in the study when identified, such as pipe replacement. We do not need an ordinance requiring us to spend money on something we already do. We do not need an ordinance that

will require condos to pay an administrative fee, that the Director of Planning and Permitting said will not be nominal. If that occurs, we will have to either postpone projects or reduce staff. At the August Council meeting when bill 69 passed first reading, Councilman Ozawa said, "it is not government's role to micromanage unnecessary expenses on condo boards." This bill, his bill and his proposed CD1, do just that, micromanage unnecessary duplicative expenses on condo boards. Ozawa's bill and CD1 will make us pay again for what we are required to do and do pursuant to 514B.

Our engineering consultant and painting contractor told us it would cost our building \$10,000 per scaffold drop. We have 26 drops. That's \$260,000, just for setup. By the time all the work is done, examining, taking photos, reviewing previous reports, writing reports, riding up and down the scaffold, doing a physical hands on inspection, at a cost of \$200 or more per hour, it could well mushroom to more than \$1,000 per unit. These monies are needed for other maintenance projects, many of which are major. The engineering firm said the set up price is determined by the footprint of the building, regardless of number of units and height. For us, the price would not change if we had 10 stories, 20 stories, 30 stories, or our 40. Excluding only condos with fewer than 100 units, as proposed by Councilmember Ozawa, would not reduce costs.

There is another point to consider. We learned this the hard way when we started elevator modernization. We hired a consultant. He completed most of the study when he died. He was a solo practitioner. We went to bid again. None of the bidders would use his report because of liability and other issues. The next consultant then left Hawaii and we had to start all over again. Same work done three times. No one will sign off on work unless they were involved with the project. This is costly and time consuming. The elevator project was delayed for more than a year.

After you hire a consultant he/she has to go out for bids, the bids have to be evaluated, companies interviewed, and then the contract is awarded. Often the condo attorney will be asked to look at the contract, another time consuming exercise. In the last few years we rewrote contract language regarding arbitration clauses because the insurance companies will no longer cover condos if there is binding arbitration. Our attorney is consulted on many issues, contractual and other, expenses not normally incurred by owners of single family residences.

If a condo association takes a loan to pay for a project, a path that requires approval of at least 50% of the owners, the lender watches the building expenses. The lender can object to expenses that have nothing to do with the loan. A single family homeowner gets a loan, makes his payments, without lender interference.

While I would like all condo associations excluded from the bill, I would prefer that the bill be deferred, or killed, and a new bill introduced that addresses the problem at hand, the tragedy at Ala Moana Center. That event happened on a commercial property that is open to the general public, which is not governed by laws requiring building maintenance and inspections. If regulation is needed, it is in that area. Private residences where owners, guests and invitees are the only ones allowed should be not be covered in bill 17 or any new bill addressing the Ala Moana debacle.

How single family home operations differ from condos:

Single family:

Maintenance and repairs are the sole responsibility of the property owner. There is no common element feature as the entire property belongs to the owner. If the owner wants to install a swimming pool, purchase a new air conditioner, make other changes to the property he/she can. Condos are governed by their declaration and bylaws. Some documents specify the types and models and colors of air conditioners. Changes can only be made if 67% of the owners approve to amend the document. The same is true for changes to the common area. For example, you cannot install or remove a swimming pool without owners consent. Damage from water leaks is confined to the property. In condos water leaks travel, damaging units below them. Condo insurers are raising deductibles and requiring inspections of

high risk plumbing components every year or two, depending on the property and leak incidence. This oversight does not occur for single family homes.

**Condos:**

Property owners are usually responsible for all individual interior unit repairs and maintenance.

Daily common element maintenance is performed by a staff hired by the AOA. The following describes some of the job descriptions conducted by the staff:

Housekeeping / janitorial staff: responsible for cleaning the common element which includes but is not limited to elevator cabs, carpet vacuuming, lobby window cleaning, common element restroom cleaning, recycle and trash room cleaning, parking structure deck sweeping, handrail wipe down, sidewalk and walkway sweeping and pressure washing, etc.

Building Maintenance staff: minor interior / exterior painting, light bulb replacement, scheduled and emergency water shut offs, minor common element door repairs, pool maintenance, minor floor / deck repairs, and any other type of minor building and grounds repairs that can be conducted by the in house maintenance staff.

Landscaping staff: responsible for all common element grounds maintenance including but not limited to, cutting, trimming, fertilizing lawns and foliage, pruning small trees and plants, maintaining and repairing the sprinkler systems and timers, etc.

AOA security: responsible for responding to resident and common element emergencies which include but is not limited to, water leaks / flooding, fire, common element equipment failure, health and safety issues, etc. Their duties may also include, package deliveries, move in and move out elevator scheduling, vendor access (sign in and sign out), house rule violations, common element security and safety issues, etc.

Condo management including site managers, resident managers, general managers, operation managers, and property managers are responsible for the daily functions of all of the above and remain on call 24/7. They report to and take direction from the Board of Directors on AOA related issues.

Some of the equipment found in multi-family dwellings vs single family dwellings is as follows:

HVAC central cooling systems, common element central water heating systems, water booster pump systems, high voltage electrical equipment and panels including transformers, parking structure buildings, elevators, secure entry systems, fire alarm and sprinkler systems which includes jockey pressure make up pumps and main fire sprinkler booster pumps, ventilation exhaust fans, camera systems, parking structure, recreational areas, pool gates, hot water circulation pumps, hot water return pumps, irrigation systems, back flow devices, back up power generators, etc.

Most of the aforementioned equipment is maintained by contract vendors and repaired or replaced by licensed contractors per the approval of the volunteer Board of Directors, which solicits and accepts bids prior to awarding contracts.